

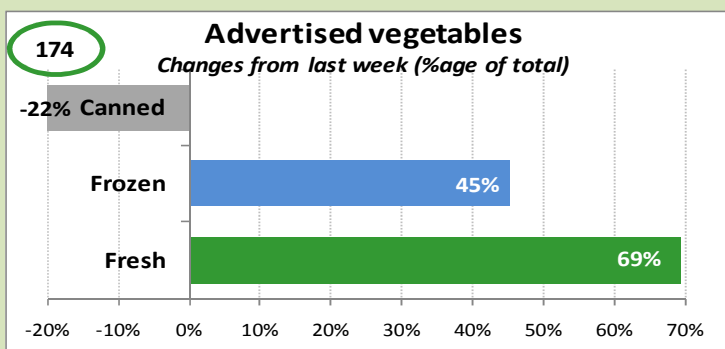
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative

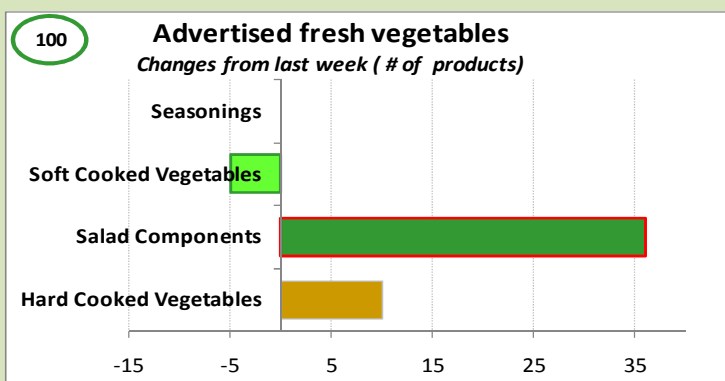


12 Jan 2010

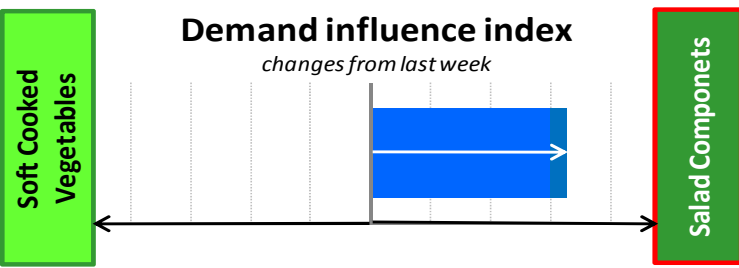
Vegetable retail promotional activity



174 vegetable products were advertised by the major retailers. This was a lift from the typically lower levels of activity over the holiday break to normal levels of exposure. The mixture of products reflected increases in fresh and frozen and reductions in canned. Within the 100 fresh products advertised, Salad Components & Hard Cooked Vegetables enjoyed increases compared to the previous week.



In the past week the factors that influence demand have shifted further towards salad components. This was impacted by warmer weather and changes in retailer promotion activity that provided greater exposure for favoured salad lines.



Take note: This index is an indicator of the sum impact of the factors that affect demand for Soft Cooked Vegetables or Salad components. These two categories of vegetables make up over 63% of the total market vegetable sales and are highly exposed to consumer switching in response to changing demand influences.

Headlines

- Conditions favour salads
- Junk food tax has momentum
- Thomas Dux opens store # 11
- Retail sales strong in Nov
- High temperature will impact supply

Taiwan poised to introduce a junk food tax

in an effort to fight obesity. A bill drafted by its Bureau of Health Promotion is due to be submitted to parliament this year; if approved it would come into effect next year. The idea has spread to Romania, whose health minister last week announced plans to impose the tax. She wants to use the revenue to fight obesity and provide the desperate healthcare system with the cash needed to fix its croaking infrastructure and to buy medicine. This momentum increases the pressures Australia to respond to figures from the Bureau of Statistics show that one in four children are overweight or obese. The Henry tax review has been delivered to the Federal Government, and it is yet to be revealed if the recommendations include a proposal to introduce a junk food tax so that it is not just burdensome legislation that is reduced, but also our waistlines. This move is supported by the health sector but not by the food retailers, who remain unconvinced such a tax will deal with obesity and have concerns about imposing costs on those who can least afford it. Research conducted by Crosby Text last year revealed that two-thirds of Australians agree a "health tax on junk foods" should be imposed. The Obesity Policy Coalition, which includes such members as Cancer Council Victoria, is pressing the Federal Government to conduct comprehensive research into high-risk foods to help build a framework for a junk food tax.

If this sort of tax is introduced it is aimed at promoting the increased consumption of healthier foods and clearly favours vegetables.

State capital market weather profile

below shows the weather conditions in the state capital cities.

Changes in weather are known to have a direct impact on the demand for different vegetable products.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr
Highs & Lows °C	19-31	18-32	17-35	15-38	13-39	9-30	21-32	21-30	20-34	15-42	14-41	14-33	14-40	16-37	19-37
Rianfall															
Rainfall (mm)	16	8.6	0.0	9.6	0.0	0.6	21.6	0.6	4.8	0.0	0.0	33.3	0.0	0.0	0.0

Shopper behaviour

All consumer markets, including the Australian domestic market, contains consumers of different types and behaviours. These variations are reflected in different shopping and consumption patterns for foods, including vegetables. As food marketers seek to stimulate and service demand for their products they need to understand these differences and find ways to cost effectively reach and influence consumers. It is not feasible to converse with every single consumer and one message or one series of actions is unlikely to attract all consumers. Therefore food marketers group consumers into what they term segments. These segments are groups of consumers with similar behaviours that typically can be reached through common media.

The Mealpulse panel, which tracks vegetable consumption data has defined five different household segments. For the next 5 weeks will profile a segment each week.

This week's profile is about the **MT Nesters segment**



MT Nester Profile

- 60 years plus, no children permanently at home (at times they float in and out), have the income to eat out often, but prepare and eat most meals at home.
- Make up **18%** of Australian Households but only represent **14%** share of the total food market
- Spend the highest proportion of their food expenditure (78-82%) on food prepared and eaten at home.
- Have the highest health awareness of all segments
- Have the time to cross shop between food retailers and will do so to capture the value of specials.
- Have high food preparations skills.
- Understand the health and value benefits of fresh vegetables.

Retail sales were stronger in November

The Australian Bureau of Stats said Australian retail sales surged in November, rising at the fastest pace since the launch of economic stimulus at the start of 2009. The rise further supported the case for the Reserve Bank to raise interest rates next month, and propped a surge in the \$A in the latter part of last week. Grocery sales through supermarkets were up 4.5% on the same month in the prior year, but sales through takeaway, cafes and restaurants were 14.5% better than November 2008. The trends numbers suggest that for the past 6 months, grocery sales are up 5% and eating out up more than 13%, evidence of the improved flow of cash to consumers, but the underlying rate of cost inflation through grocery would suggest supermarkets are still taking share away from other outlets.

The year has kicked off with numbers that suggest the economy is doing OK – sentiment suggests further interest rate rises will help push the \$A back past US90 cents

Thomas Dux opens store # 11 in Port Melbourne

and brings its range of specialty foods and ingredients sourced from local suppliers and specialist manufacturers from around the globe to Port Melbourne's Bay Street. Thomas Dux, which is now backed by Woolworths Limited, opened its first store in Lane Cove in Sydney in 2008. Operating this specialist fresh food format provides Woolworths with a format to capture the fresh vegetable sales that slip to greengrocers coverage and new branding options. This may appear a risky option given the failure of Paddington Grocer, Lets Eat and Foodchain. For a fuller discussion on the rationale for this investment click on the Thomas Dux interview at www.freshlogic.com.au

High temperatures Vic, SA & Tas have led to code red fire alerts and are highly likely to flow on and impact new plantings for leafy vegetables. This in turn is expected and flow on to shorten market supply for production out of these regions, particularly Victoria for leafy vegetables in 8-10 weeks time.

Some abbreviations and new terms are used in veginsights and that allows us to efficiently convey weekly news and insights. A fuller description of these terms and the basis for calculating indexes and charts can be viewed at <http://www.freshlogic.com.au/Services/Veginsights/tabid/274/Default.aspx>

This project has been funded by HAL using the National Vegetable Levy and matched funds from the Australian Government. It forms part of the VIDP and aims to inform vegetable producers and supply chain stakeholders on market influences and developments in the past week. We recommend that those seeking to act on the basis of this information first obtain independent professional advice.